

STATE FINANCE COMMITTEE
OLYMPIA, WASHINGTON

November 21, 2002

The State Finance Committee met in a special meeting after notice duly given to the press and radio of Thurston County.

Present: Michael J. Murphy, State Treasurer
Gary Locke, Governor
Brad Owen, Lieutenant Governor

Also Present: Allan J. Martin, Office of the State Treasurer
Tom Morrill, Office of the Attorney General
Darlene DeRose, Montague DeRose & Associates
Nancy Adams, Office of the State Treasurer
Dean Torkelson, Seattle-Northwest Securities
Svein Braseth, Office of the State Treasurer
Bill Tonkin, Foster Pepper & Shefelman
Vicki Cox, Office of the State Treasurer
Kristi Wolgamot, Office of the State Treasurer
Rob Shelley, Seattle-Northwest Securities
Chia Yang, Montague DeRose & Associates
Barton Potter, Office of the State Treasurer
Bill Starkey, Department of Transportation
Rich Ybarra, Department of Transportation
Amy Arnis, Department of Transportation
Suzanne Coit, Office of the State Treasurer
Shad Pruitt, Office of the State Treasurer
Sue Melvin, Office of the State Treasurer
Pam Johnson, Office of the State Treasurer
Joseph Dear, State Investment Board
John Charles, Department of Retirement Systems
Nancy Notter, Office of the State Treasurer
Mike Roberts, Office of Financial Management

Chairman Murphy called the meeting to order.

Governor Locke moved the minutes for the September 18, 2002 meeting be approved. Lieutenant Governor Owen seconded the motion. The motion passed and the minutes were adopted.

Chairman Murphy stated that in accordance with RCW 43.33A.100, the hiring of the executive director of the State Investment Board is subject to confirmation by the State Finance Committee. On November 4, 2002, the committee received a letter from the State Investment

Board requesting that Joseph A. Dear be confirmed as executive director. Chairman Murphy introduced John Charles, Director of the Department of Retirement Systems and Chair of the State Investment Board. Mr. Charles stated Mr. Dear was selected for the position after a nationwide search. He said Treasurer Murphy was a member of the board that elected to hire Mr. Dear. Chairman Murphy introduced Mr. Dear. Mr. Dear said he was honored by the consideration and promised to do his best. Chairman Murphy said that proposed Resolution 966 confirms Mr. Dears appointment for a term of three years and is subject to the employment term, and other conditions as set out in RCW 43.33A.100.

Mr. Martin presented proposed Resolution No. 966 to the committee.

Resolution 966 confirms the appointment of Mr. Joseph A. Dear as Executive Director of the State Investment Board for a term of three years, as provided by RCW 43.33A.100.

Governor Locke moved to adopt Resolution 966. Lt. Governor Owen seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 967 provides for the issuance and sale of up to \$230,000,000 State of Washington Various Purpose General Obligation Bonds, Series 2003D, authorized by Chapter 380, Laws of 1999, Reg. Sess.; and Chapter 9, Laws of 2001 2nd Sp. Sess.; and Chapter 39.42 RCW for the purpose of providing funds to pay and reimburse the state for various state capital project expenditures; fixing the date, form, terms, maturities, redemption provisions and covenants of the bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of said bonds. The Series 2003D will be used to fund cash flow requirements for construction of state capital projects. Bond proceeds from this proposed issue are to be deposited or transferred to the following funds: State Building Construction Account (fund 057), Higher Education Construction Account (fund 01L), Outdoor Recreation Account (fund 070), Habitat Conservation Account (fund 244), and Capitol Historic District Construction Account (fund 350). Mr. Martin said the market has seen a decrease in rates over the fall months, but has seen a slight rise in the last week or so.

Mr. Martin presented proposed Resolution No. 967 to the committee.

Resolution 967 authorizing the issuance and sale of not to exceed \$230,000,000 State of Washington Various Purpose General Obligation Bonds, Series 2003D, authorized by Chapter 380, Laws of 1999, Reg. Sess., Chapter 9, Law of 2001, 2nd Sp. Sess. and Chapter 39.42 RCW.

Governor Locke moved to adopt Resolution 967. Lt. Governor Owen seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 968 provides for the issuance of Motor Vehicle Fuel Tax General Obligation Bonds, Series 2003E, of the state, in the principal amount of not to exceed \$27,530,000, authorized by Ch. 321, Laws of 1998 (Referendum 49), (RCW 47.10.843)

and Ch. 7, Laws of 1967, Ex. Sess., as amended, (RCW 47.10.761 & 762); and Motor Vehicle Fuel Tax General Obligation Bonds, Series 2003F, of the state, in the principal amount of \$75,000,000, more or less, authorized by Ch. 321, Laws of 1998 (Referendum 49), for the purpose of providing funds to pay and reimburse state expenditures for the location, design, right of way, and construction of state and local highway improvements, fixing the date, form, terms, maturities, redemption provisions and covenants of the bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of said bonds.

Chairman Murphy said the committee received a letter from Mr. Doug McDonald, Secretary of the Department of Transportation listing issues to be included in the bond sale if Referendum 51 received a positive vote. He said Mr. McDonald also listed a reduced list if Referendum 51 failed. Since Referendum 51 failed to receive a positive vote, the total amount for the bonds to be sold in January, 2003, would be the reduced amount listed in the letter (i.e., \$102,530,000 instead of \$194,530,000).

Mr. Martin presented proposed Resolution 968 to the committee.

Resolution 968 authorizing the issuance and sale of not to exceed \$27,530,000 State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2003E, authorized by Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843), Chapter 7, Laws of 1967, Ex. Sess., as amended (RCW 47.10.761 and 762), and Chapter 39.42 RCW; and \$75,000,000, more or less, State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2003F, authorized by Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843), and Chapter 39.42 RCW.

Governor Locke moved to adopt Resolution 968. Lt. Governor Owen seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 969 accepts the winning bid for the purchase of State of Washington Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2003B, in the aggregate principal amount of \$132,070,000, more or less, as authorized by Chapters 39.42 and 39.53 RCW and Resolution No. 875 of the Committee. The Series R-2003B Bonds are tax-exempt current interest refunding bonds. He said that four bids were received and accepted electronically through Parity at 7:00 a.m. Pacific Time. Lehman Brothers submitted a true interest cost (TIC) of 4.3225116%; Merrill Lynch & Co., submitted a TIC of 4.3309321%; Bear, Stearns & Co., Inc. submitted a TIC of 4.3530671%; and Salomon Smith Barney, Inc. submitted a TIC of 4.3862207%, with the apparent low bidder being Lehman Brothers. Mr. Martin said the aggregate principal amount was reduced from \$132,070,00 to \$70,420,000 due to changing market conditions.

Mr. Torkelson referred to his Refunding Summary spreadsheet which showed a TIC of 4.33% for the \$70,325,000 (par amount) of refunding bonds. That means a savings of 6.74% or \$4,739,395, which is well above the committee's policy of 5%. He said he felt the bids did not reflect the condition of the state, but rather the current market conditions.

Mr. Martin presented proposed Resolution 969 to the committee.

Resolution 969 awards the sale of approximately \$132,070,000 State of Washington Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2003B, authorized by Chapters 39.42 and 39.53 RCW and Resolution No. 875 of the Committee.

Governor Locke moved to adopt Resolution 969. Lt. Governor Owen seconded the motion and the resolution was adopted.

There being nothing further to come before the committee, the meeting was adjourned at 8:42 a.m.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

Michael J. Murphy, State Treasurer & Chairman

Gary Locke, Governor & Member

Brad Owen, Lieutenant Governor & Member

Allan J. Martin
Deputy State Treasurer & Secretary